

CITY OF BRONSON, MICHIGAN  
FINANCIAL REPORT  
WITH SUPPLEMENTAL INFORMATION  
JUNE 30, 2005

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>CITY OF BRONSON</b>	County <b>BRANCH</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>9/12/05</b>	Date Accountant Report Submitted to State: <b>11/29/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

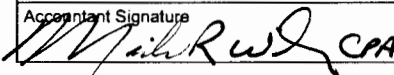
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |                              |  |   |
|------------------------------|--|---|
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>NORMAN &amp; PAULSEN, P.C.</b>			
Street Address <b>127 W. CHICAGO ROAD</b>	City <b>STURGIS</b>	State <b>MI</b>	ZIP <b>49091</b>
Accountant Signature  <b>Michael R. Wilson</b>		Date <b>11/28/05</b>	

**CITY OF BRONSON**  
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# N & P

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and  
Members of the City Council  
City of Bronson, Michigan

**Norman & Paulsen, P.C.**

*Certified Public Accountants*

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We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bronson, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Bronson management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bronson, Michigan, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Donald L. Paulsen, CPA

Patrick J. Monahan, CPA

Bruce S. A. Gosling, CPA

Michael R. Wilson, CPA

Rick L. Strawser, CPA

Jerrel T. Norman (1941-1982)

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bronson basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2005, on our consideration of the City of Bronson internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As discussed in Note 1 to the financial statements, the City of Bronson adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments Omnibus* and GASB 38, *Certain Financial Statement Notes Disclosures*, as of July 1, 2003.

*Norman J. Puleo, P.C.*

September 12, 2005

**CITY OF BRONSON  
MANAGEMENT' S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the City of Bronson financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the City's financial statements.

**Financial Highlights**

The City's overall financial position increased by \$128,979 during the fiscal year ended June 30, 2005, which represents 2 percent of the net asset position at the beginning of the year. Included in the City's total net assets of \$6,517,002 are the Sewage Disposal System Fund net assets of \$3,262,537 and the Water Supply System Fund net assets of \$1,048,958. The Sewage Disposal System's net assets increased by \$3,762 and the Water Supply System's net assets increased by \$88,912.

The City's Governmental Funds reflected a total fund balance at June 30, 2005 of \$931,749, which was a decrease of \$312,136 from the prior year end. This decrease was primarily the result of the purchase of 100 acres of land for \$300,000.

The total Governmental Fund expenditures for the year ended June 30, 2005, amounted to \$1,600,039, of which \$501,614 (31 percent) was for public safety, \$446,409 (28 percent) was for public works and streets and \$300,000 (19 percent) was for the purchase of land.

**Using This Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

# CITY OF BRONSON

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### The City as a Whole

The following table shows, in a condensed format, the net assets as of the current year end and compared to the prior year end under the modified accrual basis of accounting:

(dollars presented in thousands)

	Governmental Funds		Enterprise Funds	
	2005	2004	2005	2004
Assets	\$ 1,082	\$ 1,293	\$ 5,618	\$ 5,675
Liabilities	150	49	1,307	1,457
Fund Equity				
Invested in capital assets, net of related debt	-	-	2,546	2,406
Retained Earnings				
Restricted	-	-	158	231
Unreserved	-	-	1,607	1,581
Fund Balances				
Reserved	6	1	-	-
Unreserved	926	1,243	-	-
Total Fund Equity	<u>\$ 932</u>	<u>\$ 1,244</u>	<u>\$ 4,311</u>	<u>\$ 4,218</u>



# CITY OF BRONSON

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City's governmental fund equity decreased by 25.1 percent or \$312,136 from a year ago. In contrast the prior years governmental fund equity increased by 12.8 percent or \$141,157.

The City's enterprise fund equity increased by 2.20 percent or \$92,674 from a year ago. In contrast the prior years enterprise fund equity increased by 1.35 percent or \$56,395.

The following table shows, in a condensed format, the net assets of the current year compared to the prior year as required by GASB 34 stated under the full accrual basis.

(dollars presented in thousands)

	Governmental Activities		Business-Type Activities	
	2005	2004	2005	2004
Current and other assets	\$ 1,146	\$ 1,375	\$ 1,787	\$ 1,840
Capital assets	<u>1,361</u>	<u>1,008</u>	<u>3,831</u>	<u>3,836</u>
Total assets	2,507	2,383	5,618	5,676
Long-term debt outstanding	250	165	1,285	1,430
Other liabilities	<u>52</u>	<u>49</u>	<u>22</u>	<u>27</u>
Total liabilities	302	214	1,307	1,457
Net assets				
Invested in capital assets, net of related debt	1,141	873	2,546	2,406
Restricted	6	1	158	231
Unrestricted	<u>1,058</u>	<u>1,295</u>	<u>1,607</u>	<u>1,582</u>
Total net assets	<u>\$ 2,205</u>	<u>\$ 2,169</u>	<u>\$ 4,311</u>	<u>\$ 4,219</u>

# CITY OF BRONSON

## MANAGEMENT' S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets during the current year as compared to the prior year, under the modified accrual basis of accounting:

(dollars presented in thousands)

	Governmental Funds		Enterprise Funds	
	2005	2004	2005	2004
Revenue				
Property taxes	\$ 630	\$ 623	\$ 36	\$ 36
Licenses and permits	1	1	-	-
Intergovernmental	567	527	-	-
Charges for services	24	39	523	484
Fines and forfeits	24	16	-	-
Other	42	28	57	44
Total revenue	1,288	1,234	616	564
Program expenses				
General government	566	242	-	-
Public safety	502	442	-	-
Public works	137	118	-	-
Parks and recreation	45	52	-	-
Highways and streets	309	200	-	-
Community development	19	21	-	-
Debt service	22	18	-	-
Sewer system	-	-	186	180
Water system	-	-	103	90
Depreciation	-	-	162	163
Interest expense	-	-	72	75
Total expenses	1,600	1,093	523	508
Excess	\$ (312)	\$ 141	\$ 93	\$ 56

# CITY OF BRONSON

## MANAGEMENT' S DISCUSSION AND ANALYSIS

The following table shows, in a condensed format, the changes in net assets as of the current year compared to the prior year as required by GASB 34 stated under the full accrual basis of accounting.

(dollars presented in thousands)

	Governmental Activities		Business-Type Activities	
	2005	2004	2005	2004
Revenues				
Program revenues				
Charges for services\$	63 \$	51 \$	523 \$	484
Operating grants and contributions	186	193	-	-
Capital grants and contributions	61	-	-	-
General revenues				
Property taxes	630	623	36	36
State shared revenues	320	334	-	-
Unrestricted investment earnings	27	20	33	30
Gain (loss) on sale	(18)	8	-	-
Miscellaneous	29	14	24	14
Total revenues	1,298	1,243	616	564
Expenses				
General government	353	262	-	-
Public safety	461	499	-	-
Public works	387	331	-	-
Parks and recreation	50	60	-	-
Community development	4	3	-	-
Interest on long-term debt	7	8	-	-
Sewer system	-	-	376	372
Water system	-	-	147	136
Total expenses	1,262	1,163	523	508
Change in net assets	\$ 36	\$ 80	\$ 93	\$ 56

### The City' s Funds

Our analysis of the City's major funds begins on page 12, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. Major funds for the fiscal year ended June 30, 2005 include the General Fund.

The General fund pays for most of the City's governmental services. The primary services include police and fire services, and administrative services related to general operations that support the primary services. The General Fund is funded primarily by property taxes and state shared revenues.

**CITY OF BRONSON**

**MANAGEMENT' S DISCUSSION AND ANALYSIS**

**General Fund Budgetary Highlights**

As shown in the required supplemental information, the City budgeted a decrease of \$102,833 in the original budget and a decrease of \$402,833 in the amended budget. Actual operating results ended up as a decrease of \$325,127.

The original budget was amended to increase total expenditures by \$300,000 for the purchase of land.

The actual results ended the fiscal year within \$77,706 of the amended budget.

**Capital Assets and Debt Administration**

During the year ended June 30, 2005, the total capital assets of the City increased by \$641,450. This amount consisted of \$300,000 for land funded out of the General Fund; 98,407 for street improvements of which \$61,114 was funded from a federal grant and \$37,293 was funded out of the Major Street Fund; \$35,911 for a police vehicle and \$49,692 for a loader backhoe purchased in the Motor Pool Fund; \$5,000 for land and \$152,440 for water main extension purchased in the Water Supply System Fund.

During the year ended June 30, 2005, the City incurred no additional long-term debt borrowings and made principal payments of \$160,000. This amount consisted of \$63,000 in scheduled principal payments and \$97,000 in early principal payments. Total debt obligations at June 30, 2005, amounted to \$1,405,000.

**Economic Factors and Next Year' s Budgets and Rates**

The adopted budget for the next fiscal year ending June 30, 2006, is reflective of a down or stagnant economy. The budget is actually \$13,165 less than the fiscal year 2004-2005 original budget.

Statutory revenue sharing is expected to be the same as fiscal year 2004-2005 which was less than in the 2003-2004 fiscal year. Rates for Camp Branch laborers were increased for the third year in a row. Act 51 monies continue to fall short of funding necessary road maintenance. This year the General Fund will have to supplement Major and Local Streets a combined \$66,238 just to affect normal maintenance of seal coating, patching and snow removal. Health insurance rates continue a double digit inflation rate. Interest rates are starting to edge upward but are sill below five percent. The City will be forced to spend \$149,226 from the General Fund fund balance in order to balance this year' s budget.

**CITY OF BRONSON**

**MANAGEMENT' S DISCUSSION AND ANALYSIS**

**Economic Factors and Next Year' s Budgets and Rates - (continued)**

Water and Sewer rates will continue to be revised annually to reflect the required cash flow to run an effective water supply and wastewater treatment system. New rates go into effect July 1 and will be reflected on bills received in September. A planned water system upgrade that would replace all 4 inch water mains in the City with 8 inch mains, replace the current 200,000 gallon water tower with a 300,000 gallon elevated storage tank, and add a new municipal well with an iron removal plant was proposed in fiscal year 2004-2005. If that project is to proceed a vote by the registered voters will be necessary to bond any debt.

In fiscal year 2004-2005 the City made a purchase of 100 acres of land, the former Schmid Farm property at the South East edge of the City. The purchase price was \$300,000 with \$100,000 being paid in March of 2005, \$100,000 in April of 2005 and the final payment of \$100,000 to be paid in April of 2006. Fourteen and one half acres that are located in Bronson Township will be annexed into the City after final payment of the land contract.

The land has 11 platted lots that could be readily sold if the platted Pine Street were developed and sanitary sewer lines were run. Water and natural gas are already in the Pine Street right of way. That balance of the land will remain in farm production for the near future. A rental agreement between the former owners, renters and subcontractors was converted to acknowledge the City of Bronson as the new owner.

**Contacting the City' s Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City office.

GOVERNMENT-WIDE FINANCIAL STATEMENTS .

**CITY OF BRONSON**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business</u>	
	<u>Activities</u>	<u>Type</u>	
		<u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 1,033,279	\$ 1,523,705	\$ 2,556,984
Receivables, net	82,965	98,537	181,502
Internal balances	-	-	-
Prepaid and other assets	29,969	6,549	36,518
Restricted assets	-	158,121	158,121
Capital assets - net	<u>1,361,326</u>	<u>3,831,297</u>	<u>5,192,623</u>
Total assets	2,507,539	5,618,209	8,125,748
<b>LIABILITIES</b>			
Land contract payable	100,000	-	100,000
Accounts payable	6,702	-	6,702
Accrued and other liabilities	45,330	21,714	67,044
Debt obligations:			
Due within one year	15,000	55,000	70,000
Due in more than one year	105,000	1,230,000	1,335,000
Compensated absences	<u>30,000</u>	<u>-</u>	<u>30,000</u>
Total liabilities	<u>302,032</u>	<u>1,306,714</u>	<u>1,608,746</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,141,326	2,546,297	3,687,623
Restricted:			
Debt service	-	158,121	158,121
Other purposes	6,014	-	6,014
Unrestricted	<u>1,058,167</u>	<u>1,607,077</u>	<u>2,665,244</u>
Total net assets	<u>\$ 2,205,507</u>	<u>\$ 4,311,495</u>	<u>\$ 6,517,002</u>

See accompanying notes to financial statements

**CITY OF BRONSON  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2005**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government				
Governmental activities:				
General government	\$ 352,764	\$ 37,168	\$ -	\$ -
Public safety	461,246	24,109	1,763	-
Public works	386,865	-	183,752	61,114
Parks and recreation	49,715	971	-	-
Community development	4,292	1,030	-	-
Interest on long-term debt	<u>7,349</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	1,262,231	63,278	185,515	61,114
Business-type activities:				
Sanitary sewer	375,899	311,014	-	-
Water	<u>147,154</u>	<u>211,663</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>523,053</u>	<u>522,677</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 1,785,284</u>	<u>\$ 585,955</u>	<u>\$ 185,515</u>	<u>\$ 61,114</u>

General revenues:  
  Property taxes  
  State shared revenues  
  Unrestricted investment earnings  
  (Loss) on disposal of assets  
  Miscellaneous

Total general revenues

CHANGE IN NET ASSETS

NET ASSETS - BEGINNING OF YEAR

NET ASSETS - END OF YEAR

See accompanying notes to financial statements



Net (Expense) Revenue and Changes in Net Assets

Primary Government

<u>Governmental</u> <u>Activities</u>	<u>Business</u> <u>Type</u> <u>Activities</u>	<u>Total</u>
\$ (315,596)	\$ -	\$ (315,596)
(435,374)	-	(435,374)
(141,999)	-	(141,999)
(48,744)	-	(48,744)
(3,262)	-	(3,262)
<u>(7,349)</u>	<u>-</u>	<u>(7,349)</u>
(952,324)	-	(952,324)
-	(64,885)	(64,885)
<u>-</u>	<u>64,509</u>	<u>64,509</u>
-	(376)	(376)
(952,324)	(376)	(952,700)
629,842	35,510	665,352
320,245	-	320,245
26,893	32,939	59,832
(18,242)	-	(18,242)
<u>29,891</u>	<u>24,601</u>	<u>54,492</u>
<u>988,629</u>	<u>93,050</u>	<u>1,081,679</u>
36,305	92,674	128,979
<u>2,169,202</u>	<u>4,218,821</u>	<u>6,388,023</u>
<u>\$ 2,205,507</u>	<u>\$ 4,311,495</u>	<u>\$ 6,517,002</u>

FUND FINANCIAL STATEMENTS

CITY OF BRONSON

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2005

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 467,663	\$ 309,596	\$ 777,259
Investments	146,633	44,834	191,467
Accounts receivable	6,358	873	7,231
Due from other funds	690	564	1,254
Due from other governments	47,343	28,338	75,681
Prepaid and other assets	<u>23,824</u>	<u>5,305</u>	<u>29,129</u>
Total assets	<u>\$ 692,511</u>	<u>\$ 389,510</u>	<u>\$ 1,082,021</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Land contract payable	\$ 100,000	\$ -	\$ 100,000
Accounts payable	6,702	-	6,702
Accrued and other liabilities	35,757	7,099	42,856
Due to other funds	<u>564</u>	<u>150</u>	<u>714</u>
Total liabilities	143,023	7,249	150,272
FUND BALANCE			
Reserved for public safety	6,014	-	6,014
Unreserved - undesignated	<u>543,474</u>	<u>382,261</u>	<u>925,735</u>
Total Fund balance	<u>549,488</u>	<u>382,261</u>	<u>931,749</u>
Total liabilities and fund balance	<u>\$ 692,511</u>	<u>\$ 389,510</u>	<u>\$ 1,082,021</u>

See accompanying notes to financial statements

CITY OF BRONSON  
GOVERNMENTAL FUNDS  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2005

Total governmental fund balances \$ 931,749

Amounts reported for governmental activities in the  
statement of net assets are different because:

Capital assets used in governmental activities  
are not financial resources and therefore are  
not reported in the funds.

Governmental capital assets	\$ 2,008,577	
Less accumulated depreciation	<u>(873,572)</u>	1,135,005

Certain liabilities are not due and payable in  
the current period and therefore are not  
reported in the funds.

Bonds payable	(120,000)
Compensated absences	(30,000)

Internal service funds are used by management  
to charge the costs of certain activities to  
individual funds. The assets and liabilities  
of the internal service funds are reported with  
governmental activities.

Net assets of the internal service funds	<u>288,753</u>
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Net assets of governmental activities	<u>\$ 2,205,507</u>
---------------------------------------	---------------------

See accompanying notes to financial statements

**CITY OF BRONSON  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2005**

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 629,842	\$ -	\$ 629,842
Licenses and permits	289	-	289
Intergovernmental	330,566	236,306	566,872
Charges for services	19,700	4,496	24,196
Fines and forfeits	24,109	-	24,109
Miscellaneous	35,835	6,760	42,595
Total revenues	1,040,341	247,562	1,287,903
EXPENDITURES			
General government	565,854	-	565,854
Public safety	501,614	-	501,614
Public works	137,055	-	137,055
Parks and recreation	44,945	-	44,945
Highways and streets	-	309,354	309,354
Community enrichment, development and services	-	18,869	18,869
Debt service	-	22,348	22,348
Total expenditures	1,249,468	350,571	1,600,039
Excess (deficiency) of revenues over expenditures	(209,127)	(103,009)	(312,136)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	148,000	148,000
Operating transfers out	(116,000)	(32,000)	(148,000)
Total other financing sources (uses)	(116,000)	116,000	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(325,127)	12,991	(312,136)
FUND BALANCE - Beginning of year	874,615	369,270	1,243,885
FUND BALANCE - End of year	\$ 549,488	\$ 382,261	\$ 931,749

See accompanying notes to financial statements

CITY OF BRONSON  
GOVERNMENTAL FUNDS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds                      \$    (312,136)

Amounts reported for governmental activities in the  
statement of activities are different because:

Governmental funds report capital outlays as expenditures.  
However, in the statement of activities, the cost of those  
assets is depreciated over their estimated useful lives.

Expenditures for capital assets	398,407
Depreciation expense	(38,650)

Loan proceeds provide current financial resources to  
governmental funds in the period issued, but issuing debt  
increases long-term liabilities in the statement of net  
assets. Repayment of loan principal is an expenditure in  
the governmental funds, but the repayment reduces long-  
term liabilities in the statement of assets.

Proceeds from debt obligations	-
Principal payments on debt obligations	15,000

Some expenses reported in the statement of activities do  
not require the use of current financial resources and  
therefore are not reported as expenditures in the funds.

Increase in the accrual for compensated absences	-
--	---

Internal service funds are used by management to charge  
the cost of certain services to individual governmental  
and business-type funds. The net revenue (expense) of  
the internal service funds are allocated to governmental  
and business-type activities.

Net change from internal service funds related to governmental activities	<u>(26,316)</u>
--	-----------------

Change in net assets of governmental activities	<u>\$       36,305</u>
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See accompanying notes to financial statements

**CITY OF BRONSON  
PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2005**

	Sewage Disposal System Fund	Water Supply System Fund	Total	Motor Pool Internal Service Fund
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 396,784	\$ 88,815	\$ 485,599	\$ 64,553
Investments	352,681	685,425	1,038,106	-
Accounts receivable	62,105	36,432	98,537	53
Due from other funds	-	-	-	-
Prepaid and other assets	<u>4,456</u>	<u>2,093</u>	<u>6,549</u>	<u>840</u>
Total current assets	816,026	812,765	1,628,791	65,446
<b>NONCURRENT ASSETS</b>				
Restricted assets	103,365	54,756	158,121	-
Capital assets, net of depreciation	<u>3,411,574</u>	<u>419,723</u>	<u>3,831,297</u>	<u>226,322</u>
Total noncurrent assets	<u>3,514,939</u>	<u>474,479</u>	<u>3,989,418</u>	<u>226,322</u>
Total assets	4,330,965	1,287,244	5,618,209	291,768
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Current portion of long-term debt	27,000	28,000	55,000	-
Accrued and other liabilities	15,428	6,286	21,714	2,475
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>540</u>
Total current liabilities	42,428	34,286	76,714	3,015
<b>NONCURRENT LIABILITIES</b>				
Long-term debt, net of current portion	<u>1,026,000</u>	<u>204,000</u>	<u>1,230,000</u>	<u>-</u>
Total liabilities	<u>1,068,428</u>	<u>238,286</u>	<u>1,306,714</u>	<u>3,015</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	2,358,574	187,723	2,546,297	226,322
Restricted for debt service	103,365	54,756	158,121	-
Unrestricted	<u>800,598</u>	<u>806,479</u>	<u>1,607,077</u>	<u>62,431</u>
Total net assets	<u>\$3,262,537</u>	<u>\$1,048,958</u>	<u>\$4,311,495</u>	<u>\$ 288,753</u>

See accompanying notes to financial statements

**CITY OF BRONSON  
PROPRIETARY FUNDS  
STATEMENT OF REVENUE, EXPENSES,  
AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2005**

	Sewage Disposal System Fund	Water Supply System Fund	Total	Motor Pool Internal Service Fund
OPERATING REVENUE				
Charges for services	\$ 311,014	\$ 211,663	\$ 522,677	\$ 126,540
OPERATING EXPENSES				
Operating and administrative	185,618	103,225	288,843	79,432
Depreciation	<u>132,583</u>	<u>29,888</u>	<u>162,471</u>	<u>71,085</u>
Total operating expenses	<u>318,201</u>	<u>133,113</u>	<u>451,314</u>	<u>150,517</u>
OPERATING INCOME (LOSS)	( 7,187)	78,550	71,363	( 23,977)
NONOPERATING REVENUE (EXPENSES)				
Property taxes	35,510	-	35,510	-
Investment income	16,701	16,238	32,939	1,360
(Loss) on disposal of assets	-	-	-	(18,242)
Other revenue	16,436	8,165	24,601	14,543
Interest expense	<u>( 57,698)</u>	<u>( 14,041)</u>	<u>( 71,739)</u>	<u>-</u>
Total nonoperating revenue (expense)	<u>10,949</u>	<u>10,362</u>	<u>21,311</u>	<u>( 2,339)</u>
CHANGE IN NET ASSETS	3,762	88,912	92,674	( 26,316)
NET ASSETS - BEGINNING OF YEAR	<u>3,258,775</u>	<u>960,046</u>	<u>4,218,821</u>	<u>315,069</u>
NET ASSETS - ENDING OF YEAR	<u>\$3,262,537</u>	<u>\$1,048,958</u>	<u>\$4,311,495</u>	<u>\$ 288,753</u>

See accompanying notes to financial statements



**CITY OF BRONSON  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2005**

	Sewage Disposal System Fund	Water Supply System Fund	Total	Motor Pool Internal Service Fund
Cash flows from operating activities				
Receipts from customers	\$ 306,733	\$ 207,121	\$ 513,854	\$ -
Receipts for internal services	-	-	-	126,540
Payments to employees and suppliers	<u>(190,193)</u>	<u>(104,209)</u>	<u>(294,402)</u>	<u>(78,949)</u>
Net cash provided (used) by operating activities	116,540	102,912	219,452	47,591
Cash flows from non-capital financing activities				
Other receipts	18,551	8,165	26,716	14,543
Cash flows from capital and related financing activities				
Property taxes	35,510	-	35,510	-
Principal paid on debt	(121,000)	(24,000)	(145,000)	-
Interest paid on debt	(59,095)	(14,380)	(73,475)	-
Acquisition of capital assets	-	(157,440)	(157,440)	(83,643)
Proceeds from sale of assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>727</u>
Net cash provided (used) by capital and related financing activities	(144,585)	(195,820)	(340,405)	(82,916)
Cash flows from investing activities				
Interest received on investments	<u>16,939</u>	<u>15,361</u>	<u>32,300</u>	<u>1,401</u>
Net increase (decrease) in cash	7,445	(69,382)	(61,937)	(19,381)
Cash and Cash Equivalents - Beginning of Year	<u>845,385</u>	<u>898,378</u>	<u>1,743,763</u>	<u>83,934</u>
Cash and Cash Equivalents - End of Year	<u>\$ 852,830</u>	<u>\$ 828,996</u>	<u>\$1,681,826</u>	<u>\$ 64,553</u>

See accompanying notes to financial statements

CITY OF BRONSON  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS - Continued  
 YEAR ENDED JUNE 30, 2005

	Sewage Disposal System Fund	Water Supply System Fund	Total	Motor Pool Internal Service Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	\$ (7,187)	\$ 78,550	\$ 71,363	\$ (23,977)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities				
Depreciation	132,583	29,888	162,471	71,085
(Increase) decrease in:				
Accounts receivable	(4,777)	(4,541)	(9,318)	41
Other current assets	(1,575)	(40)	(1,615)	29
Increase (decrease) in:				
Accrued liabilities	(2,504)	(945)	(3,449)	(127)
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>540</u>
Net cash provided by (used for) operating activities	<u>\$ 116,540</u>	<u>\$ 102,912</u>	<u>\$ 219,452</u>	<u>\$ 47,591</u>

See accompanying notes to financial statements

CITY OF BRONSON  
FIDUCIARY FUNDS  
BALANCE SHEET  
JUNE 30, 2005

Agency  
Funds

ASSETS

Cash \$ 5,003

LIABILITIES

Due to other governmental units \$ 65  
Due to community project 4,708  
Other liabilities 230

Total liabilities \$ 5,003

See accompanying notes to financial statements

**CITY OF BRONSON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Bronson conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to cities. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The more significant accounting policies establishing GAAP and used by the City are discussed below.

The City adopted GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments Omnibus* as of July 1, 2003. Certain of the significant changes in GASB 34 include the following:

- \* A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operation has been included with the financial statements.
- \* Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the City's activities have been provided.
- \* Capital assets in the governmental activities column of the statement of net assets includes assets totaling \$1,610,170 previously reported in the General Fixed Asset Account Group. In addition, the governmental activities column includes debt obligations totaling \$175,000 previously reported in the General Long-Term Debt Account Group.
- \* A change in the fund financial statements to focus on major funds.

**CITY OF BRONSON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

The City also adopted GASB 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2003. GASB 38 modifies note disclosures required by GAAP. The adoption of this change in accounting principles had no effect on the financial condition or result of operations of any of the City's funds as of and for the year ended June 30, 2005, but did change some of the disclosures required for the notes to the financial statements.

**Reporting Entity**

The City of Bronson is incorporated under the provisions of the Home Rule Act of the State of Michigan. The City of Bronson operates under a Council - Manager form of government and provides the following services as authorized by its charter: Public safety (police, fire, and inspections), highways and streets, public utilities, sanitation, health and social services, culture, parks and recreation, public improvements, planning and zoning, and general administrative services.

As required by generally accepted accounting principles, GASB 14, these financial statements present the City (the primary government) and its component units, entities for which the City is considered to be financially accountable. There are no component units to be included in these financial statements.

**Basis of Accounting - Government-Wide Financial Statements** - The statement of net assets and the statement of activities display information about the City as a whole. They include all funds of the reporting entity except for fiduciary funds. These statements distinguish between activities that are governmental and those that are considered business-type activities. Internal service fund activity is eliminated to avoid "doubling-up" revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in preparation of the proprietary fund financial statements but differs from the manner in which the governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**CITY OF BRONSON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the City and for each governmental and component unit program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Some functions, such as administrative and financial services include expenses that are, in essence, indirect expenses of other functions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the City.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**Basis of Accounting - Fund Financial Statements** - Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- \* Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

**CITY OF BRONSON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

- \* Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service funds are presented in a single column on the face of the proprietary fund statements.

The City reports the following major funds:

**General Fund** - The general fund is the general operating fund of the City. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state shared revenues and charges for services.

**Enterprise Funds**

**Water Supply System Fund** - To account for user charges and for operating expenses and debt service of the City's water system.

**Sewage Disposal System Fund** - To account for user charges and for operating expenses and debt service of the City's sewer system.

The following is a description of three major categories and various fund types within those categories into which the funds are grouped:

**Governmental Fund** - All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual (i.e., when they become both measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

**CITY OF BRONSON**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Revenue Recognition** - "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes, special assessments, licenses, interest revenue and charges for sales and services as susceptible to accrual if the amount was due on or before fiscal year end and collection was within one year after year end except for property taxes for which collection must be within two months of year end. Reimbursements due for state and federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made. All other revenue is recognized as payments are received.

**Expenditure Recognition** - The measurement focus of governmental accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocation of costs, such as depreciation and amortization, are not recognized in the governmental funds.

The following is a description of the governmental fund types of the City:

**General Fund** - The general fund is the general operating fund of the City. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state shared revenues and charges for services.

**Special Revenue Funds** - Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.



CITY OF BRONSON

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

**Proprietary Funds** - All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. Unbilled utility receivables are recorded at year end.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. The water and sewer funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of sales and services, administrative costs and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following is a description of the proprietary fund types of the City:

**Enterprise Funds** - Enterprise funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

**Internal Service Funds** - Internal service funds are used to record the financing of goods or services provided by the City to other departments and funds or to other governmental units on a cost reimbursement basis.

**Fiduciary Funds (Not Included in Government-Wide Financial Statements)** - Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs.

**CITY OF BRONSON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Agency Funds** - Agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Budgets and Budgetary Accounting** - Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the general and special revenue funds. The City adopts its budget in accordance with City Charter and Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and an annual appropriation act to implement the budget. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- \* Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- \* Public hearings are conducted at the City hall to obtain public comments.
- \* Prior to June 20th the budget and annual appropriations act are legally adopted by the City Commission.
- \* Formal budget integration is employed as a management control device during the year for all budgetary funds.
- \* Budgetary control is exercised at the department level in the general fund, and at the total expenditure or "fund" level for the special revenue funds. Similarly, the City's "appropriation centers" are defined at the department level in the general fund and at the total expenditure or "fund" level for the special revenue funds.

**CITY OF BRONSON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

- \* Budget transfers between appropriation centers or changes to appropriation center totals require formal amendment by the City Council. Budgets for the current year are carefully reviewed throughout the year for any revisions of estimates. The legislative body amends the general appropriation act as soon as it becomes apparent this action is necessary.
- \* All budget appropriations lapse at the end of the year.
- \* Budgets as presented for the governmental funds are prepared on the modified accrual basis consistent with generally accepted accounting principles.

**Deposits and Investments** - Statutes authorize the primary government and component units to invest in the following:

- \* In bonds, securities and other obligations of the United States or agency or instrumentality of the United States.
- \* In certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation, a saving and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
- \* In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- \* In United States government or federal agency obligation repurchase agreements.
- \* In banker's acceptances of United States banks.
- \* In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- \* In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**CITY OF BRONSON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Receivables and Payables** - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." All other outstanding balances between funds are reported as "due to/due from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes attach as enforceable liens on property as of December 31. Taxes are levied on July 1 of the following year and are payable from the date of levy through August 15. Taxes are recognized as revenue (and become available for appropriation) in the fiscal year of the levy date. The City bills and collects its own property taxes and also taxes for the county and school districts. Collections of all the taxes and remittance of them to the other taxing authorities are accounted for in the current tax fund.

**Prepaid Items** - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**Restricted Cash and Cash Equivalents** - Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

**Capital Assets and Depreciation** - Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost of purchase or construction. Contributed assets are recorded at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are also capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

CITY OF BRONSON

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

	Depreciable <u>Life-Years</u>
Land improvements	15-40
Streets	15-20
Utility systems	30-50
Buildings and improvements	15-50
Machinery and equipment	5-20
Vehicles	2-7
Furniture and other	3-7

**Compensated Absences** - City employees are granted vacation and sick leave in varying amounts based on length of service and employee group. The City follows the accounting and reporting principles outlined in GASB 16, with regard to employee vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources while the proprietary funds report the liability as it is incurred.

**Long-Term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF BRONSON

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

**Fund Equity** - In the fund statements, reservations of fund balance represent amounts that are not available for appropriation or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

The City's deposits and investments are included on the balance sheet under the following classifications:

	<u>Primary Government</u>
Statement of Net Assets:	
Cash and investments	\$ 2,556,984
Restricted assets	158,121
Statement of Fiduciary Net Assets:	
Cash	<u>5,003</u>
Total	<u>\$ 2,720,108</u>
Deposits and Investments:	
Bank deposits (checking accounts and savings accounts)	\$ 333,542
Certificates of deposit	2,386,316
Cash on hand	<u>250</u>
Total	<u>\$ 2,720,108</u>

**Deposits** - The deposits of the City were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at approximately \$2,726,639. Of that amount, approximately \$1,089,445 was covered by federal depository insurance and \$1,637,194 was uninsured and uncollateralized.

**CITY OF BRONSON**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2005**

**NOTE 2 - DEPOSITS AND INVESTMENTS - Continued**

The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution it deposits City Funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**NOTE 3 - RECEIVABLES**

Receivables in the governmental activities are 91 percent due from other governments, 5 percent accounts receivable, and 4 percent accrued interest receivable. Business-type activities receivables are 92 percent due from customers and 8 percent accrued interest receivable.

Accounts receivable in the governmental activities and the business-type activities are reported net of an allowance for uncollectible accounts of -0-.

**NOTE 4 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund receivables and payables consisted of the following at June 30, 2005:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
<u>Due from/to other funds</u>			
General Fund	\$ 690	General Fund	\$ 564
Fire Sinking	314	Major Streets	150
Cemetery Perpetual	218	Motor Pool	540
Cemetery Development	<u>32</u>		<u>          </u>
Totals	<u>\$ 1,254</u>		<u>\$ 1,254</u>

The Due From/To Other Fund balances resulted from temporary loans to cover cash short falls in a given fund and from a time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

CITY OF BRONSON

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

**NOTE 4 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - Continued**

Transfers consisted of the following for the year ended June 30, 2005:

<u>Fund</u>	<u>Transfers Out</u>	<u>Fund</u>	<u>Transfers In</u>
General	\$ 116,000	Major Street	\$ 52,000
		Local Street	39,000
		Fire Sinking	15,000
		Cemetery	<u>10,000</u>
	<u>116,000</u>		<u>116,000</u>
Major Street	<u>32,000</u>	Local Street	<u>32,000</u>
Total Primary Government	<u>\$ 148,000</u>		<u>\$ 148,000</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) the transfer from the major street fund to the local street fund represents the sharing of gas and weight tax revenues; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.



CITY OF BRONSON

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2005, was as follows:

	Balance July 1, 2004	Additions	Disposals	Balance June 30, 2005
<u>Primary Government</u>				
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 100,499	\$ 300,000	-	\$ 400,499
Capital assets, being depreciated:				
Land improvements	96,344	-	-	96,344
Buildings and improvements	592,830	-	-	592,830
Machinery and equipment	695,183	49,692	47,560	697,315
Vehicles	317,735	35,911	61,387	292,259
Streets	384,389	98,407	-	482,796
Subtotal	2,086,481	184,010	108,947	2,161,544
Accumulated depreciation				
Land improvements	13,488	3,854	-	17,342
Buildings and improvements	297,636	11,508	-	309,144
Machinery and equipment	606,852	31,637	45,560	592,929
Vehicles	161,042	46,377	42,418	165,001
Streets	99,941	16,360	-	116,301
Subtotal	1,178,959	109,736	87,978	1,200,717
Net capital assets being depreciated	907,522			960,827
Net capital assets	<u>\$ 1,008,021</u>			<u>\$ 1,361,326</u>

**CITY OF BRONSON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 5 - CAPITAL ASSETS - Continued**

	Balance July 1, 2004	Additions	Disposals/ Transfers	Balance June 30, 2005
Business-Type activities				
Capital assets, not being depreciated:				
Land	\$ 9,655	\$ 5,000	-	\$ 14,655
Construction in progress	<u>7,930</u>	<u>-</u>	<u>7,930</u>	<u>-</u>
Subtotal	17,585	5,000	7,930	14,655
Capital assets, being depreciated:				
Sewage disposal system	5,741,626	-	-	5,741,626
Water supply System	<u>840,160</u>	<u>160,370</u>	<u>-</u>	<u>1,000,530</u>
Subtotal	6,581,786	160,370	-	6,742,156
Accumulated depreciation				
Sewage disposal system	2,200,469	132,583	-	2,333,052
Water supply System	<u>562,574</u>	<u>29,888</u>	<u>-</u>	<u>592,462</u>
Subtotal	<u>2,763,043</u>	<u>162,471</u>	<u>-</u>	<u>2,925,514</u>
Net capital assets being depreciated	<u>3,818,743</u>			<u>3,816,642</u>
Net capital assets	<u>\$ 3,836,328</u>			<u>\$ 3,831,297</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Business-type activities:

General government	\$ 2,195	Sanitary Sewer	\$ 132,583
Public safety	57,063	Water	<u>29,888</u>
Public works	40,602		
Parks and recreation	<u>9,876</u>		
Total	<u>\$ 109,736</u>	Total	<u>\$ 162,471</u>

**CITY OF BRONSON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 6 - LAND CONTRACT PAYABLE**

\$300,000 purchase of land, balance due  
in April 2006, non interest bearing.

\$ 100,000

**NOTE 7 - LONG-TERM DEBT**

Following is a summary of long-term debt transactions for the year  
ended June 30, 2005:

	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005	Current Portion
<b>Governmental Activities</b>					
General obligation bonds	\$ 135,000	\$ -	\$ 15,000	\$ 120,000	\$ 15,000
Compensated absences	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>-</u>
	165,000	-	15,000	150,000	15,000
<b>Business-Type Activities</b>					
General obligation bonds	512,000	-	10,000	502,000	11,000
Revenue bonds	<u>918,000</u>	<u>-</u>	<u>135,000</u>	<u>783,000</u>	<u>44,000</u>
	<u>1,430,000</u>	<u>-</u>	<u>145,000</u>	<u>1,285,000</u>	<u>55,000</u>
Total Primary Government Long-Term Debt	<u>\$ 1,595,000</u>	<u>\$ -</u>	<u>\$ 160,000</u>	<u>\$ 1,435,000</u>	<u>\$ 70,000</u>

Long-term debt payables at June 30, 2005, consisted of the following individual issues:

**Governmental Activities**

\$190,000 - 1997 Michigan Transportation Fund Bonds, due in annual installments of \$5,000 to \$20,000 through October 1, 2011; interest at rates ranging from 4.1% to 5.6%	\$ 120,000
Long-term compensated absences	<u>30,000</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 150,000</u>

**CITY OF BRONSON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 7 - LONG-TERM DEBT - Continued**

**Business-Type Activities**

\$590,000 - 1993 Sewage Disposal System Improvement Bonds, due in annual installments of \$5,000 to \$23,000 through April 1, 2033; interest at 5.0%	\$ 502,000
\$800,000 - 1993 Sewage Disposal System Bonds, due in annual installments of \$2,000 to \$50,000 through April 1, 2030; interest at 5%	493,000
\$500,000 - 1997 Water Supply and Sewage Disposal System Bonds, due in annual installments of \$20,000 to \$50,000 through April 1, 2012; interest at rates ranging from 4.35% to 5.65%	<u>290,000</u>
Total Business-Type Activities	
Long-Term Liabilities	<u>1,285,000</u>
Total Primary Government Long-Term Debt	<u>\$ 1,435,000</u>

**Debt Service Requirements**

The annual requirements to service all debt outstanding as of June 30, 2005 (excluding compensated absences), including both principal and interest, are as follows:

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 15,000	\$ 6,158	\$ 21,158
2007	15,000	5,359	20,359
2008	15,000	4,553	19,553
2009	15,000	3,739	18,739
2010	20,000	2,780	22,780
2011-2012	<u>40,000</u>	<u>2,235</u>	<u>42,235</u>
Total	<u>\$ 120,000</u>	<u>\$ 24,824</u>	<u>\$ 144,824</u>

**CITY OF BRONSON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 7 - LONG-TERM DEBT - Continued**

	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 55,000	\$ 65,685	\$ 120,685
2007	56,000	62,813	118,813
2008	63,000	59,823	122,823
2009	64,000	56,493	120,493
2010	71,000	53,143	124,143
2011-2015	246,000	212,920	458,920
2016-2020	189,000	148,450	337,450
2021-2025	239,000	108,000	347,000
2026-2030	233,000	39,000	272,000
2031-2033	<u>69,000</u>	<u>5,762</u>	<u>74,762</u>
Total	<u>\$ 1,285,000</u>	<u>\$ 812,089</u>	<u>\$ 2,097,089</u>

**NOTE 8 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for most risks of loss to which it is exposed. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 9 - RETIREMENT PLAN**

Effective July 1, 1996, the City established a defined contribution retirement plan which covers substantially all City employees except police officers. The City contributes 5% of compensation. For the year ended June 30, 2005, pension expense was \$25,634.

Effective July 1, 1997, the City's police officers began participating in an agent multi employer-defined pension plan with the Municipal Employee's Retirement System (MERS), administered by the State of Michigan. For the year ended June 30, 2005, pension expense was \$10,997.

**CITY OF BRONSON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 10- STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The annual budget is prepared by the City management and adopted by the City Council; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles.

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the City were adopted on a fund level basis.

During the year ended June 30, 2005, the City incurred no expenditures in excess of the amounts appropriated at the legal level of budgetary control.

REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF BRONSON**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED JUNE 30, 2005**

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
<b>REVENUES</b>				
Taxes	\$ 626,747	\$ 626,747	\$ 629,842	\$ 3,095
Licenses and permits	300	300	289	(11)
Intergovernmental	318,162	318,162	330,566	12,404
Charges for services	19,770	19,770	19,700	(70)
Fines and forfeits	15,500	15,500	24,109	8,609
Miscellaneous	<u>34,122</u>	<u>34,122</u>	<u>35,835</u>	<u>1,713</u>
Total revenues	1,014,601	1,014,601	1,040,341	25,740
<b>EXPENDITURES</b>				
General government	269,209	569,209	565,854	3,355
Public safety	495,391	495,391	501,614	(6,223)
Public works	141,869	141,869	137,055	4,814
Parks and recreation	<u>53,063</u>	<u>53,063</u>	<u>44,945</u>	<u>8,118</u>
Total expenditures	<u>959,532</u>	<u>1,259,532</u>	<u>1,249,468</u>	<u>10,064</u>
Excess (deficiency) of revenues over expenditures	55,069	(244,931)	(209,127)	35,804
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers out	<u>(157,902)</u>	<u>(157,902)</u>	<u>(116,000)</u>	<u>41,902</u>
Excess (deficiency) of revenues over expenditures and other uses	(102,833)	(402,833)	(325,127)	77,706
<b>FUND BALANCE - Beginning of year</b>	<u>874,615</u>	<u>874,615</u>	<u>874,615</u>	<u>-</u>
<b>FUND BALANCE - End of year</b>	<u>\$ 771,782</u>	<u>\$ 471,782</u>	<u>\$ 549,488</u>	<u>\$ 77,706</u>

See accompanying notes to financial statements



OTHER SUPPLEMENTAL INFORMATION

CITY OF BRONSON

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2005

	Major <u>Street</u>	Local <u>Street</u>	Fire <u>Sinking Cemetery</u>	
ASSETS				
Cash	\$ 51,486	\$ 70,516	\$ 77,271	\$ 23,999
Investments	-	-	19,274	-
Accounts receivable	127	180	250	60
Due from other funds	-	-	314	-
Due from other governments	20,962	7,376	-	-
Prepaid and other assets	<u>2,460</u>	<u>2,432</u>	<u>-</u>	<u>413</u>
Total assets	<u>\$ 75,035</u>	<u>\$ 80,504</u>	<u>\$ 97,109</u>	<u>\$ 24,472</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accrued and other liabilities	\$ 5,961	\$ 1,039	\$ -	\$ 99
Due to other funds	<u>150</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	6,111	1,039	-	99
FUND BALANCE				
Unreserved - undesignated	<u>68,924</u>	<u>79,465</u>	<u>97,109</u>	<u>24,373</u>
Total liabilities and fund balance	<u>\$ 75,035</u>	<u>\$ 80,504</u>	<u>\$ 97,109</u>	<u>\$ 24,472</u>

Cemetery Redevelopment Fund	Cemetery Perpetual Care	Economic Development Fund	Total Nonmajor Governmental Funds
-----------------------------------	-------------------------------	---------------------------------	--

\$ 21,727	\$ 16,684	\$ 47,913	\$ 309,596
12,217	13,343	-	44,834
55	79	122	873
32	218	-	564
-	-	-	28,338
-	-	-	5,305
<u>\$ 34,031</u>	<u>\$ 30,324</u>	<u>\$ 48,035</u>	<u>\$ 389,510</u>

\$ -	\$ -	\$ -	\$ 7,099
-	-	-	150
-	-	-	7,249

<u>34,031</u>	<u>30,324</u>	<u>48,035</u>	<u>382,261</u>
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<u>\$ 34,031</u>	<u>\$ 30,324</u>	<u>\$ 48,035</u>	<u>\$ 389,510</u>
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**CITY OF BRONSON**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2005**

	<u>Major Street</u>	<u>Local Street</u>	<u>Fire Sinking</u>	<u>Cemetery</u>
REVENUES				
Intergovernmental	\$ 190,709	\$ 45,597	\$ -	\$ -
Charges for services	-	-	-	4,496
Miscellaneous	<u>502</u>	<u>743</u>	<u>1,747</u>	<u>485</u>
Total revenues	191,211	46,340	1,747	4,981
EXPENDITURES				
Highways and streets	204,835	104,519	-	-
Community enrichment, development and services	-	-	-	14,577
Debt service	<u>8,823</u>	<u>13,525</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>213,658</u>	<u>118,044</u>	<u>-</u>	<u>14,577</u>
Excess (deficiency) of revenues over expenditures	( 22,447)	( 71,704)	1,747	( 9,596)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	52,000	71,000	15,000	10,000
Operating transfers out	<u>( 32,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>20,000</u>	<u>71,000</u>	<u>15,000</u>	<u>10,000</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	( 2,447)	( 704)	16,747	404
FUND BALANCE - Beginning of year	<u>71,371</u>	<u>80,169</u>	<u>80,362</u>	<u>23,969</u>
FUND BALANCE - End of year	<u>\$ 68,924</u>	<u>\$ 79,465</u>	<u>\$ 97,109</u>	<u>\$ 24,373</u>

Cemetery Redevelopment Fund	Cemetery Perpetual Care	Economic Development Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 236,306
-	-	-	4,496
<u>551</u>	<u>578</u>	<u>2,154</u>	<u>6,760</u>
551	578	2,154	247,562
-	-	-	309,354
-	-	4,292	18,869
<u>-</u>	<u>-</u>	<u>-</u>	<u>22,348</u>
<u>-</u>	<u>-</u>	<u>4,292</u>	<u>350,571</u>
551	578	( 2,138)	( 103,009)
-	-	-	148,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>( 32,000)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>116,000</u>
551	578	( 2,138)	12,991
<u>33,480</u>	<u>29,746</u>	<u>50,173</u>	<u>369,270</u>
<u>\$ 34,031</u>	<u>\$ 30,324</u>	<u>\$ 48,035</u>	<u>\$ 382,261</u>

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the City Council  
City of Bronson

We have audited the financial statements of City of Bronson as of and for the year ended June 30, 2005, and have issued our report thereon dated September 12, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance - As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting - In planning and performing our audit, we considered internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the City Council, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Norman & Paulsen, P.C.*

September 12, 2005

**Norman & Paulsen, P.C.**

*Certified Public Accountants*

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Jerrel T. Norman (1941-1982)